

Message Text

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ACTION EUR-25

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 9664

INFO AMCONSUL LUANDA

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AMCONSUL OPORTO

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E.O. 11652: N/A

TAGS: ECON PO

SUBJ: MINISTER OF ECONOMIC COORDINATION DEFINES
ECONOMIC GOALS OF PROVISIONAL GOP

1. SUMMARY: IN PRIVATE CONVERSATION ON MAY 22,
DR. VASCO VIEIRA DE ALMEIDA, MINISTER OF ECONOMIC
COORDINATION, STATED THAT PROVISIONAL GOP ECONOMIC
GOALS WERE TO CREATE ENVIRONMENT CONDUCIVE TO NEW
INVESTMENT AND ECONOMIC GROWTH, WHILE AT SAME TIME
GUARANTEEING LIVING WAGES FOR WORKERS AND CURBING
INFLATION. THE MINISTER ASSERTED THAT THE COOPERATION
OF ALL ELEMENTS IN PORTUGUESE ECONOMIC LIFE WAS
ESSENTIAL TO ACHIEVE THESE GOALS AND HE TOOK SPECIAL
AIM AT ENLISTING THE SUPPORT OF THE OTHER LUNCHEON
GUESTS REPRESENTING FOUR OF THE COUNTRY'S TOP
INDUSTRIAL GROUPS. DR. VIEIRA DE ALMEIDA ADDED THAT
THE GOP WOULD ACT SOON TO ESTABLISH A FRAMEWORK FOR
RESOLUTION OF LABOR DISPUTES. END SUMMARY.

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2. OVER LUNCH AT THE RESIDENCEYESTERDAY I BROUGHT

TOGETHER THE NEW MINISTER OF ECONOMIC COORDINATION WITH A GROUP OF PORTUGAL'S LEADING BANKERS AND INDUSTRIALISTS. IN DISCUSSING THE COUNTRY'S ECONOMIC PRIORITIES, DR. VIEIRA DE ALMEIDA EXPRESSED OPTIMISM AND CALLED FOR THE COOPERATION OF ALL FINANCIAL AND ECONOMIC ENTERPRISES. ACCORDING TO THE MINISTER, THE PROVISIONAL GOP INTENDS TO CREATE AN ENVIRONMENT CONDUCIVE TO NEW INVESTMENT AND ECONOMIC GROWTH. AT THE SAME TIME, INFLATION MUST BE CURBED WHILE PROVIDING LIVING WAGES TO WORKERS. THE MINISTER ACKNOWLEDGED THAT THESE GOALS MAY SEEM CONTRADICTORY BUT THAT A BALANCE WAS POSSIBLE. HE SAID THAT NEW INVESTMENT WOULD BE STIMULATED BY PROVIDING FISCAL INCENTIVES TO ENTERPRISES, BY OFFERING NEW OPPORTUNITIES FOR COMPETITION THROUGH A FREE ENTERPRISE SYSTEM AND BY CREATING A STABLE POLITICAL CLIMATE.

3. THE MINISTER PRAISED THE DISCIPLINE AND RESTRAINT EXERCISED BY PORTUGUESE WORKERS SINCE THE APRIL 25 COUP. HE SAID THAT VIOLENT UPRISINGS MIGHT HAVE BEEN EXPECTED AFTER SO MANY YEARS OF SUPPRESSION, BUT IN FACT THERE HAD BEEN RELATIVELY FEW CASES OF HOSTILE CONFRONTATIONS AND NO SERIOUS VIOLENCE IN LABOR FIELD. HE ADDED THAT THE ARMED FORCES WERE COMPLETELY UNITED AND CAPABLE OF CONTROLLING ANY SITUATION IN PORTUGAL. I EXPRESSED THE CONCERN OF MANY RESIDENT U.S. BUSINESSMEN THAT THERE HAS BEEN LITTLE GOP PARTICIPATION IN LABOR DISPUTES. DR. VIEIRA DE ALMEIDA REPLIED THAT A NEW DECREE LAW WOULD BE PROMULGATED SHORTLY TO ESTABLISH A FRAMEWORK FOR RESOLVING DISPUTES BEFORE THEY REACH THE STRIKE STAGE. HE ADDED, HOWEVER, THAT MANAGEMENT, WHETHER PORTUGUESE OR FOREIGN, WOULD HAVE TO LEARN TO FACE UP TO WORKERS AND, WHENEVER LEGITIMATE, LABOR DEMANDS WOULD HAVE TO BE CONSIDERED. THE MINISTER CLAIMED THAT 60 PERCENT OF PORTUGAL'S LABOR FORCE WAS EARNING LESS THAN 3000 ESCUDOS (\$120) PER MONTH. HE SAID THESE WAGES WERE SOCIALLY UNACCEPTABLE AND ECONOMICALLY UNSOUND, INASMUCH AS LIMITED OFFICIAL USE

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POORLY PAID WORKERS ARE BELIEVED TO HAVE LOW PRODUCTIVITY. HE CLAIMED THAT MOST WAGE INCREASES GRANTED IN PAST FEW WEEKS COULD BE COMPENSATED BY INCREASED PRODUCTIVITY AND REDUCED PROFITS, RATHER THAN THROUGH PRICE INCREASES.

4. COMMENT: THE ATMOSPHERE OF THIS ENCOUNTER BETWEEN THE MINISTER AND SEVERAL OF PORTUGAL'S

FINANCIAL GIANTS WAS FASCINATING. DR. JORGE DE MELLO OF CUF, DR. MIGUEL QUINA OF THE BORGES GROUP, DR. MANUEL RICARDO ESPIRITO SANTO SILVA OF THE ESPIRITO SANTO FAMILY, AND DR. VALENTIM XAVIER PINTADO REPRESENTING THE BANCO PORTUGUES DO ATLANTICO (CUPERTINO DE MIRANDA FORTUNE) PROVED TO BE NO MATCH FOR THE YOUNG AND DYNAMIC VIEIRA DE ALMEIDA. ALTHOUGH THE INDUSTRIALISTS SEEMED INITIALLY COOL TO THE MINISTER, THEY ALL EXPRESSED SATISFACTION WITH HIM AND HIS ECONOMIC MINISTRY TEAM. THE INDUSTRIALISTS WITH DR. QUINA AS THE MAJOR SPOKESMAN EXPRESSED SOME APPREHENSION OVER LABOR DEMANDS AND THE LEFTIST TREND IN THE MEDIA. HOWEVER, DR. VIEIRA DE ALMEIDA'S FIRMNESS IN ASSERTING THE GOP DETERMINATION TO GO ON WITH BUSINESS AS USUAL SEEMED TO REASSURE THEM.
SCOTT

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